

FOREIGN POLICY BULLETIN

*An interpretation of current international events
by the Research Staff of the Foreign Policy Association*



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Thirtieth Anniversary
1918-1948

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Western Europe Unites to Check Communism

The crystallization of Western resistance to Russia precipitated by the Czechoslovak coup, and especially by the suicide of Jan Masaryk on January 10, was reflected without delay in four major developments. On March 17 the Foreign Ministers of Britain, France, Belgium, the Netherlands and Luxembourg, meeting in Brussels, signed a fifty-year treaty of military and economic alliance. On March 12 it was announced from Berlin that dissolution of German industrial monopolies, except for those producing consumer goods, had been halted by the American Military Government, reversing a basic policy of the post-war years. On March 14 the United States Senate, by a vote of 69 to 17, approved the European Recovery Program authorizing \$16 billion for loans and grants in the next twelve months of the four-year under-
standstanding. On March 12 the Chilean government demanded that the UN Security Council investigate immediately Moscow's part in the Communist coup in Czechoslovakia, and it was indicated on March 14 that the United States would urge full debate on Chile's charge that the Soviet Union was endangering world peace.

Is War Imminent?

These various developments are a measure of the anxiety with which the United States and the nations of Western Europe now view the world situation. Since V-E day the question has been frequently asked: "Will there be a World War III?" Now the question uppermost in many minds is: "When will war start?" Yet in spite of widespread tension the consensus of responsible observers is that war can be

prevented if the Western nations are both calm and vigilant. It is believed that the formation of a Western alliance, in which the United States is expected to participate, combined with prompt economic assistance under the ERP, will deter Russia from any further moves it may be contemplating on the continent, and not, as some observers have feared, cause the Kremlin to plunge into war.

Test in Italy

At the same time, it is recognized that neither military arrangements nor economic aid will solve the fundamental problem presented by Communist efforts to achieve control of governments either by parliamentary means or by action outside legislative chambers. A decisive test is expected in the national elections in Italy on April 18. Competent observers envisage two possibilities, both fraught with grave consequences. The "popular front" of Communists and left-wing Socialists may win a plurality of votes at the polls, but fail to achieve a majority in the Chamber of Deputies; the government of Christian Democrat Premier Alcide de Gasperi would then seek to remain in power, with the aid of elements to the Right. In such a situation the Communists might resort to extralegal means—strikes, street demonstrations, and so on—to overthrow the government. Or else the "popular front" may get 40 to 45 per cent of the votes cast, and thus win the opportunity, under democratic procedure, of forming the cabinet, in which they would presumably insist on holding key posts such as the ministries of the interior, information, and so

on. In such a situation the groups of the extreme Right, including former Fascists, disgruntled monarchists, ex-officers without employment and returned prisoners of war might stage a coup to unseat the Communists. Either alternative holds the seeds of civil war. It is of course also possible that, without accepting the test of elections, the Communists might attempt to seize power before April 18.

The best hope for Italy, in the opinion of recent visitors to that country, is the continuance in office of de Gasperi, which would provide a breathing-space for consolidation of the as yet embryonic "third force" of liberals and moderate Socialists. The outcome of the elections will be determined not only by the actions of the Communists, but also by the direct intervention of the Vatican. The most significant aspect of this intervention is that the Pope, while admonishing Catholics not to vote for Communists, stated on March 8 that return to "rugged individualism" is impossible, and that the world must accept a sort of voluntary Socialism. The Communists denounce the ERP but at the same time contend that a vote for the "popular front" is the only way of avoiding war, and that irrespective of the outcome of the elections the United States will give Italy aid under the ERP. On March 15 Washington announced that ERP aid will not be available to a Communist-governed Italy.

The outcome of the Italian elections will have decisive repercussions in France. The government of Popular Republican Premier Robert Schuman, like that of de

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Gasperi in Italy, has succeeded to a surprising degree in maintaining its position against pressures from Right and Left extremes. The Czechoslovak coup has intensified Socialist opposition to communism, but the "third force" supposed to be spearheaded by the Socialists has not achieved sufficient strength to control the government. Competent observers believe that, if the Communists gain power in Italy, by legal or illegal means, France will come under the control of de

Gaulle. If de Gaulle assumes power, it is thought he will enlarge the group of his followers by recruitment of elements to the Left, including some Socialists. It should be noted that, after voting consistently against the Schuman government during the past few months, the de Gaullists last week backed it in the Chamber of Deputies.

Both in France and Italy fear of communism has not so far enhanced the prestige of reactionaries. On the contrary, it

has caused groups right of center to favor economic and social reform, in the hope of thus depriving the Communists of their propaganda trump card. Should this situation continue, the French and Italians may find in an alerted, firm, but forward-looking democracy the long-term answer to the problems communism has created for democratic societies. Such an answer would be far less costly, and obviously more constructive, than war.

VERA MICHELES DEAN

Appeal to Nationalism Clinches Peron's Victory

Two events have sealed the passing of the old order in Argentina: the formal transfer of the railway system from British to Argentine ownership on March 1, and the overwhelming victory of the *peronista* forces in the Congressional elections of March 7. The acquisition of the 17,000-mile rail network confirms the end of the Argentina that had been built on the development of the fertile pampa by British capital. The close economic relationship that made Argentina a "Fifth Dominion" has been declining since World War I. This the nationalist elements who engineered the revolution of 1943 understood better than the conservatives who had lived by the old relationship. It was thus appropriate that President Perón chose the ceremony ending British ownership of the railroads as the culmination of his campaign for the government Labor party.

Perón's Popularity Affirmed

Elections were held to replace one-half of the membership of the Chamber of Deputies, which renews itself every four years. At stake was a possible second term for Perón in 1952. The Argentine constitution prohibits immediate re-election of an outgoing president, and constitutional amendment requires a two-thirds majority in both houses of Congress. Followers of Perón control the Senate, but although the last session of the Chamber of Deputies opened with *peronistas* in 111 of the 158 seats, several vacancies or defections reduced the margin necessary for any change in the constitution.

Early returns from the ten provinces in which voting occurred show that Perón may receive as high as 60 per cent of the popular vote, as compared with 55 per cent in 1946. As in the national elections of that year, the opposition parties could not bring themselves to present a single

slate of candidates, although urged to do so by the veteran Socialist leader, Alfredo Palacios. Despite guarantees of free electoral activities, discrimination was practiced against the opposition in the allocation of radio time, and the frequent denial of police permission to hold meetings. Censorship was not relaxed, and after the elections the opposition is reported to have complained that the elections were "free" in a technical sense only.

Perón's real strength, however, is due to the administration's ability to whet national pride and to the unprecedented prosperity that has dulled Argentines' traditional insistence on individual liberties. Evidence of abundant prosperity is indicated by the 1947 income tax revenue, which is double that of 1946. Moreover, the administration is pledged to see that the product of overflowing grain elevators and *frigoríficos* is more equitably distributed than in the past. This would be done directly, through wage increases and social legislation, and indirectly by investing profits from overseas purchases in a five-year development program designed to make Argentina economically independent.

Food for Railways?

The trade and financial agreement concluded with Britain on February 12 seems to many Argentines to be the first step in this direction. It is a complex arrangement, determined only after many months of difficult negotiations in which the informal intervention of the United States was in the end perhaps decisive. It arranges the barter of the British-owned railways for £110 million worth of essential foods and feedstuffs, to be delivered to Britain in 1948 and early 1949, plus a £40 million cash payment by Argentina. In addition, Britain undertakes in the same period to purchase additional imports from Argentina to the amount of

£20 million and to make available to the Argentines 1 million tons of coal and 2 million tons of petroleum products valued at £25 million.

From the point of view of each country, the agreement presents both favorable and unfavorable aspects. At no expenditure of its fast-disappearing supply of dollars, Britain receives a respite from the pressing food supply problem and a promise of greater access to the Argentine market. In exchange, it has agreed to pay steeper prices for the meat and corn imports and to relinquish an investment which—if long since recouped and no longer remunerative—was yet a symbol of its interest in "the best colony Britain ever had." As its investment in Argentina is progressively liquidated, Britain will have fewer means of redressing, by capital remittances, the adverse balance usually incurred in its trade with that country. London is already seeking to develop its own sources of food supply within the Empire. This would free Britain from dependence on the arbitrary, high-price Argentine market.

Nor was the bargain altogether satisfactory from the South American republic's point of view. At first sight it appears that Argentina has bought its birthright for a mess of pottage. But Buenos Aires retreated from its asking price for food exports, and it failed to obtain payment of the food contracts in dollars either in whole or in part. That the United States expressed interest in the progress of the negotiations was instrumental in forcing Argentina's hand. For Argentine participation in the European Recovery Program was involved. As the House Select (Herter) Committee on Foreign Aid pointed out on March 12, Argentina's need for capital equipment, steel and chemicals is as great as Europe's need for food. Inside or outside the Marshall

plan, Argentina must depend on the wheat and beef exports to finance its new industries and public works. Can it afford

to alienate the British market? This is the dilemma of the nationalists.

OLIVE HOLMES

News in the Making

Washington Tense But Hopeful

WASHINGTON—The impending Italian elections and Russia's solidification of its position in Czechoslovakia and Finland have caused both President Truman and Congress to consider ways and means of strengthening America's world position. Neither the President nor the State Department, however, appear as bankrupt in ingenuity and bereft of hope as those few persons who contend that war is the one device for settling our differences with the Soviet Union. The successful conclusion of the five-power Western European treaty conversations in Brussels has encouraged the Administration to believe that it is still possible to safeguard American security through diplomatic action, supported by military display. It was in this serious frame of mind that President Truman addressed a joint session of Congress on foreign affairs on March 17.

Italy Troubles U.S.

The approaching Italian elections confront the Truman administration with a new problem in diplomacy. For a year the United States has acted on the assumption that the Truman Doctrine would succeed in confining Russia's influence to the sphere of Eastern Europe roughly outlined at the Teheran conference in December 1943. A Communist election victory in Italy, however, would in effect ex-

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the United States has been politically amount since the end of the war, and from which it has persistently tried to exclude Russia.

With a view to preparing the American public to support new steps in foreign policy of a nature not yet explicitly determined, in case the Italian elections should result in Communist victory, President Truman said at his press conference on March 11 that the United States does not want to see Communists in any government anywhere. The immediate interest of the President and his advisers is to work out means of applying policy in a

way that will prevent Communists from entering European governments in countries situated outside the Soviet sphere, or will at least make it difficult for them to harm American interests if they do take office. Meanwhile, the President told his March 11 press conference that the Administration is still resting its diplomacy on the Truman Doctrine, and that the ERP, if carried out promptly, would accomplish the purpose for which the doctrine was enunciated. To keep alive public faith in the efficacy of peaceful processes in international relations, Secretary of State George C. Marshall twice last week pleaded with the nation to be calm in the face of European events—a sentiment echoed by Truman on March 11.

Military Policy Studied

Adoption of military measures at the present time is hampered by the fact that the United States lacks the land and air force needed to hold the key region of Western Europe between the Oder River and the Atlantic Ocean against a strong enemy. Realization of this military inadequacy prompted Representative Carl Hinshaw, Republican, of California, vice chairman of the Congressional Aviation Policy Board, to recommend in the House on March 11 that the Joint Chiefs of Staff draft an over-all defense plan which would enable the Department of Defense to employ to full advantage the armed forces already available.

Hinshaw protested that as a result of rivalry among the army, navy, and air force, the "unification" act of last summer has produced "triplication," manifested in "controversy and lack of decisive action over who is to do what." Heeding criticism along the same line which Hinshaw's board made in a formal report on March 1, Secretary of Defense James Forrestal held a meeting at the submarine base in Key West, Florida on March 11 to adjudicate differences between the air force and the naval air arm. Although it is

Growing United States dependence on imported oil is highlighted by announcement that Standard Oil Company of New Jersey intends to import daily some 15,000 barrels of *crude oil from Middle East* during the last nine months of 1948. Independent oil producers (i.e. those who do not operate both wells and refineries) have all along opposed increased imports. Given the tremendous drain on our oil resources during the war, however, many observers are convinced that national security requires a policy of conserving domestic petroleum reserves by increased imports, particularly from the Middle East. . . . Britain's "Economic Survey for 1948," published March 9, shows that 1948 *will be near-fatal* unless the country gets aid through the ERP. London's gold reserves are expected to be down to \$2 billion by midyear and completely exhausted early in 1949. . . . This month, for the first time since the establishment of the UN, the Soviet government has supplied *figures on production in the U.S.S.R.* for publication in the UN MONTHLY BULLETIN OF STATISTICS. While Soviet statistics, unlike those submitted by other nations, are presented solely as percentages without any quantitative estimates, UN economists have generally welcomed them as "enlightening."

Rebuilding the World Economy: America's Role in Foreign Trade and Investment, by Norman S. Buchanan and Friedrich A. Lutz. New York, Twentieth Century Fund, 1947. \$3.50

A brilliant study of the world economy, with emphasis on the emergence of the United States as the dominant factor in international trade and investment. The appendices include the complete text of the Bretton Woods Agreements and the Anglo-American Financial Agreement.

unlikely that Congress at present would entertain vague suggestions for adding to the armed forces before a strategic plan is available, the Administration can be expected before the end of the year to arrange for distribution of arms to the members of the projected new Western European union and our other friends abroad and to ask Congress to increase our own military strength.

BLAIR BOLLES

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• FPA NEWS •

Program Notes

Milwaukee FPA and the Milwaukee State Teachers College are sponsoring a series of lectures on "Contemporary World Affairs." The lectures, which started February 11 and will run through May 26, cover a wide range of current world problems.

Monday evening discussions during March have been arranged for FPA members in Pittsburgh. The topics of the March 1 and 8 meetings were respectively: "Who Makes Our Foreign Policy," and "Germany, Nation or No Man's Land?" Subsequent meetings will deal with "The United States in European Recovery," "China in Crisis," and "Atomic Energy and the United States."

Detroit heard Colonel J. R. J. Hutchison, Conservative M.P. from England, on "The Developing Economic World." Colonel Hutchison had an interesting career during World War II. In order to help direct resistance work in France he assumed a new identity involving plastic surgery alteration of his face, and acquired a new handwriting.

J. Kenneth Galbraith of the editorial staff of *Fortune*, and Saul Padover, author of *Experiment in Germany*, were the speakers at the discussion of "The United States and the German Peace" in Buffalo.

Sir C. P. Ramaswami Aiyar told the New York FPA luncheon meeting on March 13 that Indian leaders must concentrate on the reconciliation of Hindu and Moslem polity and of the higher and the depressed classes, as well as undertake an active program of social justice between capital and labor, landlord and tenant, government and the people.

Suggestions Wanted

The three FPA publications, *Foreign Policy Bulletin*, *Foreign Policy Reports* and the *Headline Series* are written about current world problems of special concern to the United States. Their purpose is to provide FPA members and subscribers with balanced information on subjects of timely interest. Suggestions of topics for FPA publications and methods of presentation are always welcomed by the FPA Research Staff.

Association Meetings

PITTSBURGH, March 19, *Report from Europe*, Paul Block, Jr., Cy Hungerford

CLEVELAND, March 20, *Economics of Peace*, Richard M. Bissell, Jr., Brooks Emeny, Juan F. Yriart

BUFFALO, March 22, *What Should the U.S. Do in China?*, Nathaniel Pepper, Hon. Mike Mansfield

MINNEAPOLIS, March 23, *World Federation*, Cord Meyer, Jr.

ALBANY, March 30, *America in the Far East*, Owen Lattimore

PITTSBURGH, March 31, *The Peace Stalemate*, Sumner Welles

Thirtieth Anniversary

For thirty years, from 1918 to 1948, the FPA has been engaged in the task of providing the American public with easily understandable information on world affairs through publications and discussion meetings. In 1918, a year of great confusion and uncertainty, the American people had little understanding of the issues for which the war had been fought, or of the problems of winning the peace. The objective of the FPA, established on the eve of the armistice in 1918, has been to contribute to such understanding.

This year, the 30th anniversary of the FPA, is also a year of confusion and uncertainty. But, due in part to FPA's pioneering efforts, Foreign Policy Associations, community councils on world affairs, and printed materials—books, pamphlets and periodicals—are contributing to a better comprehension of the problems that the United States faces in the atomic age.

The thirtieth birthday of the FPA is a significant landmark in American education on foreign affairs. Plans for celebration festivities will be announced in a few weeks.

Institute

The second section of the 22nd Annual Institute in Cleveland takes place on March 20. The speakers will be Richard M. Bissell, formerly Executive Secretary of the President's Committee on Foreign Aid, who will speak on the "United States

and the Economics of Peace"; Dr. Brooks Emeny, president of the Foreign Policy Association, whose subject is "Wages, Profits and Foreign Policy"; and Juan F. Yriart, First Secretary of the Uruguayan Embassy, who will discuss "Latin America's Part in the Economy of World Peace."

Advisory Committee

Dr. Monroe E. Deutsch, president of the World Affairs Council of Northern California, has announced an Advisory Committee on Educational Policy, appointed by the presidents of the University of California, the University of San Francisco, Stanford University, San José State College, and Mills College. The committee has been established to advise the officers of the Council on its over-all program to develop better understanding of world affairs.

The World Affairs Council of Northern California launched in March a new program designed as a service to organization members in order to encourage *small group discussion* of world problems facing Americans.

Available Now

NATIONALISM IN BRITISH WEST AFRICA
by Vernon McKay

March 15 issue of

Foreign Policy Reports—25 cents

Mr. McKay, member of the FPA Research Department, flew to West Africa last summer on a special research grant from the Carnegie Corporation to gather material for his report. He visited Sierra Leone, the Gold Coast, Nigeria, Liberia, and talked with educated Africans, native rulers, and British officials.

Reports are issued on the 1st and 15th of each month.

Subscription \$5; to FPA members, \$4.

DOLLARS, GOODS AND PEACE
by Thomas P. Brockway

A layman's survey of the world's most pressing post-war economic problems.

March-April issue of
Headline Series—35 cents
Six issues a year—\$2.00

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